



PRACTICE NOTE

PN 44(4)/93

Date: 6th April 1993

Budget 1993-Income Tax Proposals

Taxation Of Seafarers

Provisions are contained in the Income Tax Bill, 1993 setting out a totally new approach to the taxation of seafarers who undertake voyages both commencing and finishing outside the Isle of Man and United Kingdom.

The Treasury Minister announced the intention to bring these measures into force with effect from the 6th April 1993. This will mean that relief may be claimed in respect of earnings falling to be assessed in the income tax year 1993/94. Main Features

- A Manx resident seafarer will be entitled to a 100% deduction of remuneration paid for seafaring duties performed outside the Isle of Man and the United Kingdom which are attributable to a qualifying period of at least 365 days, i.e. the remuneration will not be taken into account when computing the world income for tax purposes.
- A qualifying period is a period during which the seafarer is absent from the Isle of Man but provides that return visits to the Isle of Man may count as part of the qualifying period on condition that:-
 - no single visit lasts for more than 183 consecutive days; and
 - the total number of days spent on visits during the qualifying period do not exceed one-half of the total number of days in the qualifying period.
- The 100% deduction only applies to seafarers who are resident for Manx income tax purposes throughout the whole of the qualifying period.
- Although a qualifying period can be any period of at least 365 days ending during the year ending the 5th April 1994, the 100% deduction can only apply to remuneration received after the 5th April 1993. For example, if a seafarer ceases employment permanently on the 8th June 1993 and his circumstances are such that he qualifies for the deduction in respect of the 365 day period ended the 8th June 1993, it is only his remuneration for the period 6th April 1993 to cessation that will be excluded from his 1993/94 assessment.
- A day of absence means absence from the Isle of Man at the end of it.

Any further information can be obtained by contacting the Technical Officer on 685315.

Capital Allowances On Ships And Aircraft

Following discussions at the Shipping Consultative Committee it has been agreed that provisions will be introduced extending the present system of capital allowances to enable a deferral to take place of any balancing charge arising on the disposal of a vessel. This will be subject to the proceeds being re-invested within a given time of the disposal of the vessel. Further discussions will be taking place with the shipping industry to determine the final details of the proposal. Consideration is also being given to extending this measure to aircraft.

Unilateral Relief On United Kingdom Dividends

Legislation has been introduced into the Income Tax Bill 1993 to provide for the unilateral relief granted by the Inland Revenue on United Kingdom dividends to be disregarded in computing the dividend income for Manx income tax purposes. This measure will apply in respect of dividends received on or after the 6th April 1993 and which fall to be declared in a return of income for the year ended the 5th April 1994.

International Pensions

The Treasury Minister announced in his Budget speech the intention to incorporate in the Income Tax Acts the existing extra statutory concession relating to annuities sold to non-resident individuals. In so doing, the scope of the provisions will be widened to take account of the views expressed through the consultative bodies. Further discussion will be required to ensure the proposed legislation meets the needs of the pensions industry.

Equity Finance Scheme

In a recent Press Release the Department of Industry announced a joint venture initiative with the public sector in a bid to create equity investment opportunities. Pending the introduction of appropriate legislation, the Treasury Minister has announced his intention to provide for income tax relief to be given on a concessionary basis to any investors into the scheme.

Additionally, income received by the fund in its first five years will be tax free.

Vocational Training

Provisions will be contained in the Income Tax Bill 1993 providing for tax relief on the cost of studying for recognised vocational qualifications. A system for relief at source is being considered for courses undertaken on the Island.

Details will be available later in the year when the Bill is published but relief will in any event be backdated to the 6th April 1993.